

Fiscal Year 2001 - 3rd Quarter Report
University of Delaware
Period of Coverage: April 1 - June 30, 2001

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A. PREVIOUS REPORT UPDATE

- In June UD/FLAG and the Gabrovo High Technology Business Incubator (GHTBI) jointly organized an international conference titled “Innovation Opportunities in Southeast Europe – Implementing Competitive Information Technologies and Partnerships for Economic Development.”
- The Financial Analysis for Export-Oriented Companies distance learning course was completed in June. The course helped local exporters understand and apply internationally used techniques in finance, make better financial decisions, reduce costs, and improve profitability.
- The TDC organized two B2B (business-to-business) meetings and trade-show participation for local producers from agribusiness and light manufacturing.
- UD/FLAG continues to prepare custom-tailored business plans for clients applying for credit or equity financing.

B. MAJOR IMPLEMENTATION ACCOMPLISHMENTS

Training

Financial Analysis for Export-Oriented Companies / Distance Learning

The final examination for the Financial Analysis course presented via distance learning was held June 24. Twenty-five financial managers and trade specialists from 16 Bulgarian export-oriented companies participated in the course. The distance learning method allowed the participation of companies based outside of Sofia.

The impact of the training includes increased knowledge of global financial principles and adoption of international accounting standards, which resulted in increased competitiveness in international markets.

The final examination was held to evaluate the trainees' skills acquired as a result of participating in the course. 75% of the participants in the training passed the examination successfully. The test was compiled based on the intermediate examinations at the end of each of the 6 sections of the course and numbered 75 multiple-choice questions.

85% of the trainees evaluated the course as very useful; over 70% think that the course met their needs and expectations. 90% expressed their satisfaction with the course's distance learning format. Over 80% of the participants evaluated the structure and content of the materials prepared by the instructors as very good, and the in-class presentations at the working sessions as excellent.

Export Promotion Seminar

A seminar in Export Promotion was held on 26-27 June for 18 participants including the managers of 11 export-oriented companies: Dobrudjanski Textile, Medika, Olineza, Zhiti, Bulmed, Oberon X, VOP, Nikom 65, Ficossota, Dit-M, and Hranservice engineering; 4 participants from the Bulgarian Export Promotion Center; and one from the Association of Meat Processors in Bulgaria. The Bulgarian producers had the opportunity to expand their knowledge and acquire new skills in foreign markets development and competitive strategies. The seminar evaluation indicated that 65% of the participants considered the training very useful for them, 50% reported that the seminar met their needs completely.

The Export Promotion and Competitive Strategies Training assists companies in achieving improved capacity to export their products, increased competitiveness on international markets, and better understanding of the principles of international trade. The seminar topics included foreign markets and partners, marketing research and competition investigation, intermediaries, strategic positioning on foreign markets, information gathering and analysis, marketing and sales plans and strategies, distribution and networking, direct sales, analysis of results, and additional financial matters.

Business-Planning

Kralex

UD/FLAG prepared a business plan for Kralex LTD - a local producer of frozen vegetables and fruits based in Haskovo - as part of the company's application for SAPARD financing. Privatized in 1997,

Yugoplod OOD is one of the largest frozen food processors in Bulgaria. The primary goals of Yugoplod over the next three years are to continue its investment in the production facility to meet European Union (EU) quality and sanitation standards, and increase its revenue to 6.6 million BGN by 2002 from 3.9 million in 2000. By striving for and reaching these goals, Yugoplod moves further towards its vision of becoming a leading provider of wholesale quick-frozen vegetables and fruits in the Balkan Region.

The business plan envisions additional investment in facility renovation, reconstruction, and equipment of 2.72 million BGN. When the investment is completed, Yugoplod will have a production facility that has the capabilities to meet EU quality standards on its existing products and to introduce five new products. With this investment Yugoplod will have significantly greater capacity for processing and storing frozen vegetables and fruits at industry standards, resulting in 9,000-10,000 tons in annual production.

The owners of Yugoplod are applying to the SAPARD program to become a beneficiary of funds under *Measure 1.2: Improving the Processing and Marketing of Agriculture and Fishery Products*. Through a long-term loan arrangement with Bulbank, Yugoplod will use the investments to reconstruct and renovate the production facility and purchase equipment that will improve the quality of its frozen vegetable and fruit products starting in December 2001. The decision for financing under SAPARD will be announced within 3 months, upon the submission of the application documents.

Zvezda K97

UD/FLAG performed a viability assessment of a project presented by Zvezda K97 for financing under the SAPARD program. Zvezda K97 JSC is a producer of frozen fruits and vegetables located in Kostenets. To date, the company has utilized a rented processing facility, and the project is for the construction of a production unit and freezing facility estimated at approximately EURO 270,000. The company was established in 1997, but its major shareholders have exported frozen fruits and vegetables since 1993. Zvezda K97 sells approximately 2,000 tons of frozen products annually to EU countries. Based on their experience the management seeks to specialize in the processing and exporting of berries, wild fruits and herbs. Pursuing this strategy, the company planted approximately 25 ha of raspberries in 1999. The first crop will be harvested this year. Executive Director Mihail Danov plans to achieve sales of 700 tons of frozen berries, 50% of which will be from their own cultivation. FLAG/UD will develop a business plan and a set of application documents when the company's management commits to implementing the project.

UD/FLAG consultants advised **SP Christo Dimitrov** from Bourgas on the development of his business plan for financing the creation of a new hog farm under SAPARD..

Todor Valchev SP received assistance in his search for a DM 55,000 credit for the creation of a raspberry garden.

Trade Facilitation

UD/FLAG assisted Zlatevi OOD, a local producer of herbs and essential oils, with export linkages for their products. Zhizlin Ltd. and Tanya Ivanova SP, meat importers from Varna, received trade facilitation consultations.

Financial Facilitation

Paper Factory JSC

UD/FLAG started financial facilitation consultations for Paper Factory JSC - the successor of Techart cellulose products factory in Mizia. Since the beginning of the year, the company's owners have made significant investments in improving the production facility: they purchased a 1,000 sq.m. steam power generator and fuel oil unit, fresh water pumping station, the necessary electricity infrastructure, as well as assorted equipment for the production of paper. The available equipment has the capacity to process 3,600t of waste paper per month or 3,000t of finished product. The factory has all necessary manufacturing lines, transportation, and trained personnel in order to begin functioning. Currently, the factory is not operating due to lack of sufficient working capital. The amount of investment required to resume operation and consequently achieve full efficiency is BGN 2,500,000. UD/FLAG is advising the company on preparing their business plan and assisting them in their search for a strategic investor.

Vinprom – Svishtov Co

UD/FLAG provides on-going technical assistance to Vinprom – Svishtov Co., a medium-scale wine producer located in northern Bulgaria. The management of the company has received consultations in the area of strategic planning, attracting outside financing, export promotion, and competitive value-added products. Vinprom – Svishtov plans to triple the area of its vineyards and improve the quality of its grape inputs. UD/FLAG provided assistance on market expansion opportunities in North America and trade linkages.

IPZ Ltd., Smolyan

UD/FLAG consultants assisted Mr. Aleko Zdravkov, manager and owner of IPZ Ltd., in the financial planning of his company's operations. Last year the company constructed a small waterpower station (WPS) of 300 kW at Kutelska River, near Smolyan. The facility started operating last December, which allowed the company to sign a distribution agreement with the Plovdiv Electricity Distribution Company. IPZ Ltd. is presently exploring the possibilities for constructing a number of micro waterpower stations in the region and has identified the opportunity of building three new micro WPSs. The company is looking for an equity investor to support the construction of the three new WPS, which will have capacity ranging from 800kW to 1.6mW. UD/FLAG consultants are assisting the company in the development of the investment project, with special emphasis on the financial projections and the cash-flow management strategy, as well as in identifying a potential investor for the construction of the new WPSs. As a direct result of UD/FLAG's assistance Mr. Zdravkov financed 50 % of the construction of his second WPS.

Storko, Pleven

UD/FLAG consultants provided technical assistance to the owners of Storko, Pleven - one of the largest fruit and vegetable canning factories in Bulgaria. The company's management was advised in the evaluation of the company's current financial position, updating the company's existing business plan based on the results of the evaluation, and assisting the company in finding an outside source of finance.

Tsenko Tsanov – Printing House, Sofia

UD/FLAG consultants assisted Mr. Tsanov in preparing a business plan and raising USD 60, 000 in debt financing. The project provides for increasing the production capacity of the company by installing new equipment, which will result in the creation of new jobs and the strengthening of the financial and operating position of the company.

Infoassist LTD

InfoAssist Ltd. is a software development company, specializing in the design and development of medical software for the purposes of GPs, hospitals and pharmacies. The company has developed “Medical Assistant”- a specialized program for patients' information processing and medical records filing. UD is consulting the company in business planning and fundraising that will secure the company access to a \$50,000 credit line, allowing them to sell their product in a package deal with hardware at rescheduled payments and preferential prices.

International Conference on Competitive IT and Partnerships for Economic Growth

UD/FLAG organized an International Conference on Competitive IT and Partnerships for Economic Growth on June 21-24 in Gabrovo, Bulgaria. The conference focused on identifying innovative opportunities for implementing IT cluster strategies in Bulgaria and the SEE region. The key speaker was University of Delaware Associate Professor John Kmetz, an authority on hi-tech industry development.

Among the participants were representatives of Bulgarian central and local governments, the diplomatic corps, international donors, implementers, funding agencies (USAID, EU, UNDP, EBRD, WB, IFC, Soros), business support NGOs, educational institutions, and leading Bulgarian IT companies.

The conference focused on success models and fund-raising opportunities in order to take advantage of the effective public-private partnership behind the Gabrovo Incubator initiative. The initiative is targeted at accelerating economic growth in North Central Bulgaria and creating professional development opportunities for the young, qualified IT specialists, opening up the regional economy toward international markets and investors, and encouraging innovation and international technology transfer.

A direct result of the conference was the commitment of the participating donor organizations to support the Gabrovo High Tech Business Incubator (GHTBI) as an instrument to support the local emerging high technology and IT business cluster. The main areas of activity of the GHTBI will include:

- Training and counseling for the staff of IT cluster start-ups
- Micro-lending
- Marketing assistance to promote the export of locally produced software products
- Providing fully equipped office space at preferential lease-rates

After the start-up phase, the GHTBI development project will go through an intensive fund-raising stage and will gradually introduce a full set of services. The GHTBI envisions hosting, within one 5-year incubation cycle, an average of 10 companies, which includes seven start-ups and three existing growth-oriented companies.

The GHTBI business plan and strategy that was developed with UD/FLAG assistance incorporates a strategy of parallel development of a virtual technology incubator (VTI) and preparation for creating a physical technology incubator (PTI). Based on the “incubator without walls” model, a virtual technology incubator enables the GHTBI to effectively begin operations well before the physical incubator is established, producing cash flow at a much earlier time and supporting the development of a Gabrovo/Yantra Valley high technology business cluster immediately.

Criteria for company selection and graduation are under development. The selection process will require the setting up of a Technical Board to screen applicants and their proposals. GHTBI graduation criteria will be tailored to the individual case of each client company, but includes benchmarks for (1) time, (2) profitability and volume of business, and (3) ability to pay market rent.

Trade Development Center (TDC) Activities

International Agricultural Fair in Novi Sad

UD co-organized, within the framework of the TDC, a joint participation of 8 Bulgarian companies at the 68th International Agricultural Fair in Novi Sad, Yugoslavia from 12th to 20th May 2001. The fair brought together over 1800 companies from different countries in food processing and agricultural machinery and equipment industry sectors. FLAG TDC supported a shared booth at the exhibition for the 8 Bulgarian producers, which provided the opportunity to increase their exports and establish linkages with foreign partners. The participating Bulgarian companies at the fair were from different food industry clusters: processed fruit and vegetables – Galabex Cannery, Solvex-Mira Ltd.; bakery and confectionery – Pain D’Or; bee products – Oberon X; rice production – Shegor Ltd.; wine and spirits – Metacolor (trade dealer of Vinprom – Svishtov); Vinex-Preslav; Royal Cake JSC (bakery and confectionery).

More than 80 initial business contacts have been established between Bulgarian exhibitors and potential partners from Serbia, Montenegro, Croatia, Bosnia and Herzegovina and Slovenia. The expected impact of the trade show is increased partnership between Bulgarian producers and regional counterparts. Companies from the ex-Yugoslavian republics have contacted more than half of the companies participating in Novi Sad. Trade linkages are expected by the end of next quarter.

Wine Producers Business-To-Business Meeting in Warsaw, Poland

UD and ACDI/VOCA, in conjunction with the Ministry of Economy and the Bulgarian Embassy in Poland, organized a TDC business-to-business meeting in Warsaw, Poland. The meeting was held on 1st June at the Embassy’s grounds, and its aim was to provide export opportunities for Bulgarian wine producers. Bulgarian wineries were presented to a number of Polish importers and distributors of wine and spirits products and had the opportunity to establish business linkages with relevant partners. A wine-tasting session was held during the event. The Bulgarian wine producers participating were: Vinprom Damyanitzza, Vinprom Haskovo, Metacolor – trade dealer of Vinprom Svishtov, Vinzavod Assenovgrad, Winery Melnik, Winery Magura, Vinprom Aidarevo, and Vinex Preslav. Novoselksa Gamza and Loviko-Suhindol participated with their representatives in Poland.

More than 40 initial business contacts have been established between Bulgarian and Polish companies. Vinprom Aidarevo reported a deal concluded for the export of 600,000 bottles of wine (550,000 USD) with the Polish distributor Raf Pol Import-Export. Magura Winery reported they anticipated signing an

agreement with the Polish importers Gloria Alkohole and Raf Pol Import-Export for the delivery of 30,000-50,000 bottles of wine to Poland.

Synergy with other Business Support Organizations

UD/FLAG provided a trainer for the USAID sponsored PC3 Project for a seminar on basic company management of the local telecenters.

UD/FLAG consultants established relations with United Bulgarian Bank (UBB) and First Investment Bank (FIB) regarding their credit guarantee schemes with USAID. FLAG/UD consultants prepared a Financial Viability Analysis for the guarantee financing facility for private enterprises to serve as the basis for the approval of the FIB guarantee system. The FLAG/UD team assisted the bank in preparing cash flow statements for two potential clients to be included in the scheme. FLAG/UD will provide further technical assistance to UBB and FIB in response to their needs.

C. CONTRIBUTION TO TARGETS

- women owned business: 5
- women managed business: 12
- female employees: 192

IR 1.3.2.1 Improved Business Performance of Private Sector Association Members			
INDICATOR	BASELINE (TOTAL)	RESULT (TOTAL)	RATIO
1. Export increase in assisted priority industry clusters.	\$2,356,000	\$1,204,000	
2. Value of linkages in assisted priority industry clusters.	N/A	670,000	N/A
3. Jobs created and retained. (Employment generated in assisted priority industry clusters.)	T: 258 M: 66 / F: 192	102	N/A
4. Domestic sales increase in assisted priority industry clusters.	\$682,000	\$356,000	N/A
5. Number of companies from assisted priority industry clusters introducing international industry standards such as ISO, HACCP, AQL, IAS, etc.	N/A	1	N/A
TOTAL NUMBER OF PROJECTS COMPLETED:	TOTAL NUMBER OF VOLUNTEERS / TRAINERS PROVIDED:	TOTAL NUMBER OF BUSINESSES IMPACTED:	
14	6	38	

NOTE: All of the above data is subject to Evaluation Committee verification.

D. FORECAST FOR NEXT QUARTER

- The next quarter UD/FLAG will provide TA to the tourism cluster in the area of competitive strategies for operators in integrated tourism destinations and will organize marketing communications follow-on training for hotel owners and managers and representatives of tourist businesses and associations.
- UD/FLAG will organize a Selling Skills Seminar in conjunction with the Stara Zagora Agency for Economic Development for local export-oriented companies.

Attachment A
IR 1.3.2.1 Improved Business Performance of Private Sector Association Members

Indicator # 1. Export increase in assisted priority industry clusters.

Indicator # 2. Value of linkages in assisted priority industry clusters.

Indicator # 3. Jobs created and retained. (Employment generated in assisted priority industry clusters.)

Indicator # 4. Domestic sales increase in assisted priority industry clusters.

Indicator # 5. Number of companies from assisted priority industry clusters introducing international industry standards such as ISO, HACCP, AQL, IAS, etc.

1.

a. Client Name, Sector, Assistance Type: Krallex OOD, Business Plan for the Reconstruction, Product Range Expansion and Product Quality Improvement for Yugoplod OOD – Haskovo.

b. Volunteer / Trainer Name: Marcy Daniel, Kalina Stefanova

c. Description of Intervention: Business Plan Preparation

d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	\$1,567,000	\$1,064,000	N/A	50 new seasonal workers	\$268,000	Preparing for HACCP certification
2. Value of linkages:	N/A					
3. Jobs created and retained	61					
4. Domestic sales:	\$392,000					
5. Introduction of international industry standards (list them).	N/A					

2.

a. Client Name, Sector, Assistance Type: Zvezda 97K, Food Industry

b. Volunteer / Trainer Name: Desislava Yordanova

c. Description of Intervention: Business Plan Preparation

d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	\$289,000	\$40,000	N/A	25 new seasonal	\$35,000	N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	50 full time					
4. Domestic sales:	\$80,000					
5. Introduction of international industry standards (list them).	N/A					

3.

a. Client Name, Sector, Assistance Type: Paper Factory JSC, Light Manufacturing

b. Volunteer / Trainer Name: Mincho Benov

c. Description of Intervention: Finance Facilitation

d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	\$500,000	\$100,000	N/A	20	N/A	N/A
2. Value of linkages:	N/A					

3. Jobs created and retained	110					
4. Domestic sales:	N/A					
5. Introduction of international industry standards (list them).	N/A					

4.

a. Client Name, Sector, Assistance Type: Infoassist, IT sector

b. Volunteer / Trainer Name: Mincho Benov

c. Description of Intervention: Finance Facilitation

d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	N/A	N/A	N/A	2	\$28,000	N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	14					
4. Domestic sales:	\$60,000					
5. Introduction of international industry standards (list them).	N/A					

5.

a. Client Name, Sector, Assistance Type: Tsenko Tsanov – Printing House, Sofia

b. Volunteer / Trainer Name: Mincho Benov

c. Description of Intervention: Finance Facilitation

d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	N/A	N/A	N/A	5	\$25,000	N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	23					
4. Domestic sales:	\$150,000					
5. Introduction of international industry standards (list them).	N/A					

6.

a. Client Name, Sector, Assistance Type: Participation of 8 Bulgarian companies in International Agricultural Fair in Novi Sad

b. Volunteer / Trainer Name: Silvia Andreeva

c. Description of Intervention: Trade Show Participation

d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	N/A	N/A	\$120,000	N/A	N/A	N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	N/A					
4. Domestic sales:	N/A					
			12			

5. Introduction of international industry standards (list them).	N/A					
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7.

a. Client Name, Sector, Assistance Type: Wine Producers Business-To-Business Meeting in Warsaw, Poland

b. Volunteer / Trainer Name: Silvia Andreeva

c. Description of Intervention: B2B Meeting participation

d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	N/A	N/A	\$550,000	N/A	N/A	N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	N/A					
4. Domestic sales:	N/A					
5. Introduction of international industry standards (list them).	N/A					

Attachment B
FLAG Coordination
Administrative Support Division

1. ASD developed and conducted a survey on the opportunities and barriers for women in economic development.
2. ASD provided logistical support during the preparation process and actual holding of the International Conference on Competitive IT and Partnerships for Economic Growth.
3. ASD developed time series data of FLAG client records and provided support to the two FLAG Committees.
4. ASD provided on a monthly basis the FLAG Events of the Horizon List and the US Visitors Schedule to USAID/BG.
5. ASD continued to provide FLAG member organizations with monthly Implementation Status Reports and quarterly Client Baseline Reports.
6. ASD assisted the activities of the Tracking, Follow-on and Evaluations Committee by providing reports of FLAG clients due for three, six and twelve months evaluation and generating Evaluations Committee database programmed quarterly reports.
7. ASD published on a monthly basis the FLAG Newsletter and distributed it to FLAG member organizations, other USAID funded partners, major clients, RDAs and local strategic partners.
8. ASD continued to provide maintenance and monthly updates to the FLAG web site.